indusmin limited

Annual Report 1969

indusmin limited

Year in Brief

OPERATING SUMMARY

Net sales	$ 8,219,557
Depreciation, amortization and depletion	$ 1,064,430
Net income before income tax	$ 1,632,612
Income tax	$ 600,754
Net income before special credit	$ 1,031,858
Net earnings	$ 1,598,858
Cash recovered from operations	$ 2,674,436
Dividends paid	$ 875,926

FINANCIAL POSITION

Current assets	$ 4,228,529
Current liabilities	$ 5,363,391
Working capital deficiency	$ 1,134,862
Equity	$11,810,098

PER SHARE

Net income before special credit	$ 0.88
Net earnings	$ 1.37
Dividends paid	$ 0.75
Equity	$10.11
Cash recovered from operations	$ 2.29

MISCELLANEOUS

Issued capital—shares	1,167,901
Number of shareholders	3,929
Number of employees	280

Shares listed—Toronto Stock Exchange
—Canadian Stock Exchange

The Annual Meeting of the Shareholders of Indusmin Limited will be held in the Elizabeth Room, King Edward Sheraton Hotel, 37 King Street East, Toronto, on Thursday, the 9th of April, 1970, at the hour of 11:00 o'clock in the forenoon.

This year's cover illustrates a stage in the construction of your company's new silica processing plant at Midland, to be completed in the spring of 1970.

KILLARNEY
BADGELEY ISLAND
PARRY SOUND
Georgian Bay
OWEN SOUND
MIDLAND
ORILLIA
BARRIE

indusmin limited

(pronounced IN-dus-min)

HEAD OFFICE

7 King Street East, Toronto 210

DIRECTORS

F. R. Archibald—Toronto, Ontario
Vice President—Metallurgy and Research—Falconbridge Nickel Mines Limited

P. L. Dessaulles—Montreal, Quebec
Counsel—Byers, McDougall, Casgrain and Stewart

F. D. Hart—New York, New York
Managing Director—American Gas Association, Inc.

E. L. Healy—Toronto, Ontario
Executive Vice President Operations—Falconbridge Nickel Mines Limited

J. J. Mather—Toronto, Ontario
Vice President Industrial Minerals Division—Falconbridge Nickel Mines Limited

~~J. T. McWhirter—Toronto, Ontario~~
Treasurer—Falconbridge Nickel Mines Limited

G. T. N. Woodrooffe—Toronto, Ontario
Vice President Corporate Affairs—Falconbridge Nickel Mines Limited

James Holmes treas.
Director of Finance

J.D. Krane, treas.
G.E. Dale, comptroller

OFFICERS

J. J. Mather—*President and Managing Director*
F. R. Archibald—*Vice President*
D. D. Anderson—*Secretary*
J. D. Krane—*Assistant Secretary*
G. E. Dale—*Controller*
J. T. McWhirter—*Treasurer*

SENIOR MANAGEMENT

G. E. Armstrong—*General Manager—Administration*
D. C. McDonald—*General Manager—Production*
D. G. Minnes—*General Manager—Corporate Development*
R. C. Wilson—*Director of Research*
C. M. Woodruff—*General Manager—Marketing*

SUBSIDIARIES

American Nepheline Corporation—Wholly owned
Suite No. 6, 11 West Cooke Road, Columbus, Ohio 43214

[illegible] Corporation—[illegible] voting interest
Suite 201, 311 Franklin Street, Juneau, Alaska

TRANSFER AGENTS

[illegible] Company, [illegible] Street, Toronto

AUDITORS

McColl, Turner and Company, *Peterborough, Ontario*

SOLICITORS

Strathy, Archibald, Seagram and Cole,
Suite 1700, 110 Yonge Street, Toronto, Ontario

Illustrated on the opposite page is the movement of quartzite from the mine site at Badgeley Island to the new processing plant at Midland, Ontario.


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BADGELEY ISLAND
N
PARRY SOUND
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R. C. Wilson—*Director of Research*
C. M. Woodruff—*General Manager—Marketing*

SUBSIDIARIES

American Nepheline Corporation—Wholly owned
Suite No. 6, 11 West Cooke Road, Columbus, Ohio 43214

Klukwan Iron Ore Corporation—93% Voting interest
Suite 201, 311 Franklin Street, Juneau, Alaska

TRANSFER AGENTS

Crown Trust Company, *302 Bay Street, Toronto*

AUDITORS

McColl, Turner and Company, *Peterborough, Ontario*

SOLICITORS

Strathy, Archibald, Seagram and Cole,
Suite 1700, 110 Yonge Street, Toronto, Ontario

Illustrated on the opposite page is the movement of quartzite from the mine site at Badgeley Island to the new processing plant at Midland, Ontario.

Ten Year Statistical Summary

	1960	1961	1962	1963
Sales	$1,772,064	$1,544,247	$1,827,981	$2,000,318
Income before write-offs and taxes	541,586	592,686	631,350	725,502
Depreciation, amortization and depletion	364,925	376,940	374,439	426,127
Expenditures on plant and equipment	44,253	34,538	148,643	205,086
Corporation income taxes	51,000	70,232	58,702	21,054
Net income	125,661	145,514	198,209	278,321
Net income per share	.31	.35	.48	.68
Shareholders' equity	2,557,228	2,630,071	2,828,798	2,950,320
Shareholders' equity per share	6.25	6.40	6.90	7.19
Dividends	82,000	82,000	123,000	164,000
Dividends per share	.20	.20	.30	.40

per share calculations 1963 and prior years — 410,000 shares
per share calculations 1964 — 820,000 shares
per share calculations 1965 and 1966 — 856,855 shares
per share calculations 1967 — 965,497 shares
per share calculations 1968 and 1969 — 1,167,901 shares

	1964	1965	1966	1967	1968	1969
	$3,785,218	$3,797,816	$4,448,471	$6,532,634	$7,379,255	$8,219,557
	1,136,653	1,385,098	1,727,231	2,105,305	2,461,894	2,697,042
	711,955	681,052	723,823	984,355	1,099,933	1,064,430
	380,040	319,808	315,398	980,478	1,851,000	4,598,285
	135,000	220,000	315,600	129,384	543,908 (1)	600,754 (1)
	289,698	484,046	687,808	991,566	818,053	1,031,858
	.35	.56	.80	1.03	.70	.88
	7,339,990	7,446,383	7,658,031	9,557,422	11,056,206	11,810,098
	8.95	8.69	8.94	9.90	9.47	10.11
	205,000	421,056	471,270	550,113	825,325	875,926
	.50	.50	.55	.60	.75 (2)	.75
Net earnings after special credit					1,344,353	1,598,858
Net earnings after special credit per share					1.15	1.37

(1) Including deferred income taxes of $567,000 in 1969 and $526,300 in 1968.

(2) Dividends per share calculated on the shares outstanding at time of dividend.

To the Shareholders

The 1969 sales volume of $8,219,557 exceeded that of 1968 by 11.4%. The net income in 1969 (before provision for the extraordinary credit) was $1,031,858, a gain of 26% over 1968. The cash flow amounted to $2,725,153 or $2.33 per share. A disposition of funds of $6,164,803, which included dividend payments of $875,926, resulted in a decrease in working capital of $3,439,650 and a negative working capital position at the end of the year of $1,134,862. The erection of a new plant for the Ontario Silica Division accounted for a major part of the capital expenditures.

The addition to income of an extraordinary credit ($567,000 in 1969 and $526,300 in 1968) increased earnings to $1,598,858 in 1969 and $1,344,353 in 1968. The extraordinary credit, explained in note 4 to the consolidated financial statements, results from an accumulation of charges against earnings which had not been claimed for tax purposes.

In 1969 the company adopted the tax allocation basis of accounting, referred to in the 1968 statement. In prior years the earnings statement reflected only the amount of tax currently payable and the amount of tax deferred was shown in the notes to the financial statements. The effect of the change is an additional charge against earnings in the amount of the tax deferred and a reduction in net earnings by the same amount. The 1968 figures have been adjusted to the same basis to permit meaningful comparison. The cash flow is not affected by the change.

On September 30, Nephsil Minerals Limited, a wholly-owned subsidiary, was amalgamated with the parent company as sanctioned by the shareholders at the last Annual Meeting. The holdings, certificates, or equity of Indusmin shareholders were not altered by this action.

The erection of plant at Killarney and Midland for the Ontario Silica Division was initiated in the spring. Progress has been much slower than anticipated due to strikes affecting the contractor's work force as well as by late deliveries of structural and other steel and some major machinery items. Current schedules provide for a start-up in early May, shortly after the opening of navigation on the Great Lakes.

Management's efforts to provide for the future diversification of the company and its products have been accelerated. The company has acquired an exploration licence on 7,000 acres in Northern Ontario to prospect for kaolin and other industrial minerals. A three-year program of exploration has been organized. At the present time this project can be considered to be no more than a reasonable geological prospect. Additionally, we have made application to the government of British Columbia for the acquisition of a deposit of feldspathic sand. A preliminary evaluation suggests that the property has promising potential in terms of product quality and recovery costs. The immediate market prospects are not exciting but the long-term growth potential is encouraging. This evaluation will be completed in 1970.

The research laboratory in Don Mills has been enlarged in terms of both personnel and equipment to cope with an increased work load in all fields of activity, including product development, process improvement, quality control and technical service. Currently, much effort is being devoted to the improvement of plant recoveries and the recapture of waste as saleable product. Success in this area is of vital importance as a means of combating rapidly rising labour, material and service costs.

CONSOLIDATED SALES

	1969	1968
Total billings - - - -	$13,090,830	$12,035,112
less: freight prepaid - -	4,871,273	4,655,857
Reported sales volume -	$ 8,219,557	$ 7,379,255
Accounts receivable - -	$ 2,025,251	$ 1,868,843
Ratio: Receivable to total billings - - - - -	15.5%	15.5%

Sales—By Quarter

		% OF TOTAL	
	1969	1969	1968
1st - - - - - - - -	$1,684,660	20.4	18.1
2nd - - - - - - - -	2,128,427	25.9	26.2
3rd - - - - - - - -	2,266,684	27.6	28.5
4th - - - - - - - -	2,139,786	26.1	27.2
	$8,219,557	100.0	100.0

EARNINGS

	1969	1968
Net income before the under-noted special credit - -	$1,031,858	$ 818,053
—$ per share - - - -	.88	.70
—as a % of sales - - -	12.5	11.1
Special credit - - - - -	$ 567,000	$ 526,300
Earnings for the year - - -	$1,598,858	$1,344,353
—$ per share - - - -	1.37	1.15
Cash recovery from operations - - - - -	$2,674,436	$2,433,083
—$ per share - - - -	2.29	2.08

On a consolidated basis, 1969 vs 1968, earnings as a percent of sales showed a slight improvement (1.4%). In all divisions the increase in unit operating costs exceeded the per ton increase in prices. The substantial increase in the volume of sales and the subsequent dilution of overhead costs made it possible to maintain the ratio of profitability.

DIVIDENDS

Dividend payments 1969 - - - - - - $875,926

Dividend payments to date - - - - - $4,777,690

RECORD DATE	DATE PAID	PER SHARE
29 April, 1969	15 May, 1969	25¢
28 October, 1969	17 November, 1969	25¢+25¢ extra
		75¢

DISPOSITION OF 1969 INCOME

%		$
100.00	Sales revenue	8,219,557
29.45	Wages, salaries and employee benefits	2,420,384
37.74	Materials, supplies and services	3,102,131
12.95	Depreciation, depletion and amortization	1,064,430
10.66	Dividends	875,926
.41	Taxes currently payable	33,754
8.79	Retained and used in the business	722,932

HIGHLIGHTS OF OPERATIONS

NEPHELINE SYENITE DIVISION

Sales—$3,983,458

	1969	1968
% of total sales	48.5	42.7

The substantial gain in sales in this division was due for the most part to a shortage of feldspar, a competing product, in the United States. The Nephton mill was able to satisfy the exceptional demand without difficulty, and our position in the industry as a reliable supplier was considerably enhanced. Two of the feldspar producers have announced expansion programs so that in 1970 the industry will return to the normal situation in which production capacity exceeds demand.

We are planning for a 5% increase in sales in 1970.

The diamond drilling program in 1969 added ore to the indicated reserves in sufficient quantity to offset the consumption, maintaining the 25 year supply position previously reported.

Capital expenditures in 1969 amounted to $506,672 applied principally to expand capacity in the secondary mill, provide additional mining equipment (shovel, compressor and crane), improve utilization of finished product storage facilities, revise the primary mill screening circuits for greater efficiency, and further mechanization of the bag handling system.

Provision has been made for capital expenditures in 1970 of $525,000. Most of the money will be applied for expansion of capacity in the quarry, the milling plants, and the electric power supply system.

In this division, and in the others, it will be necessary each year to modify plant facilities to obtain greater efficiency in an effort to offset rising production costs.

The labour agreement expires 11 October, 1970.

QUEBEC SILICA DIVISION

Sales—$2,571,671

	1969	1968
% of total sales	31.3	34.7

Sales were adversely affected by a one-week strike in April at the St. Canut plant. Because the nature of the business is such that continuous supply is necessary the tonnage then lost was not regained.

The projected increase in sales in 1970 over 1969, will exceed the normal growth pattern of 5%.

The ore added to reserves in 1969 exceeded consumption. The total reserves of the three deposits, only two of which are under current development, are sufficient for the next 40 years. Pre-development drilling in 1969 on one section of the deposit at St. Canut proved up a substantial reserve. This area will be opened for mining in 1970.

The year 1969 was a difficult one for this division. The shareholders were advised early in the year of a notice received to the effect that the St. Canut property would be expropriated by the Federal Government for a new airport. The future of the division was therefore uncertain, and it was necessary to curtail expenditures wherever possible. Much needed mine development programs and plant improvements were postponed awaiting clarification of

the Government's intent and preliminary plans were drawn for moving the plant to the Ste. Scholastique deposit. Late in the year it became evident that the Federal Government would rescind the expropriation order and permit the operations to remain in the present location. The matter has not yet been fully resolved but we are now proceeding on the assumption that there will be no interruption or disruption of operations.

Capital expenditures in 1969 were limited to essentials for the reasons above-stated and amounted to $225,500.

In 1970, normal programs will be reinstated. A budget of $411,000 has been provided, including $121,000 for improvements in process plant and $290,000 to open the new orebody. The latter expenditure will be amortized over a three-year period.

The current two-year labour agreement expires 12 January 1971.

AGGREGATES DIVISION

Sales—$1,664,428

	1969	1968
% of total sales—	20.2	22.6

Sales in 1969 did not reach forecast levels due to a series of strikes and lockouts which disrupted normal construction activity in Toronto, the principal market. The combination of carry-over into 1970 of unfinished 1969 projects, plus new work planned, encourages us to anticipate substantial growth in 1970. The long-term growth prospects are very favourable.

ORE RESERVES

Two parcels of land totalling 250 acres and adjoining those previously held, were acquired in 1969 for $88,000. The total reserve of limestone is estimated to be 100,000,000 tons. Current consumption is less than 2,000,000 tons per year.

The process plant operating schedule was one shift per day. Obviously, the growth in demand for many years to come can be met without significant expenditures for expansion. Again, the rate at which operating costs are rising is a cause for concern. Price increases will be mandatory. Legislation to be introduced in Ontario governing rehabilitation of quarries and environmental control will further increase costs, Indusmin however has always recognized its corporate responsibility in these matters, and will welcome the legislation if it is universally and fairly applied.

Capital expenditures in 1969 were minor other than for the land procurement already noted and the purchase of the area (for $121,000) occupied by the Scarborough Distribution Yard. The expenditure in 1970 of $162,000 for modifications to the process plant has been authorized.

The labour agreement expires 31 October, 1970.

ONTARIO SILICA DIVISION

This division will commence operations in May of 1970. It is anticipated that sales will develop slowly throughout mid-year, while customer acceptance is being built and that normal production levels will not be attained until late in the third quarter. Recent developments in the marketplace suggest that the market potential will exceed that forecast in the original economic feasibility studies. Based on current sales projections, the ore deposit will have an economic life of 20 years.

Expenditures on plant, property and equipment at Killarney and Midland in 1969 amounted to $3,746,589. It is estimated that it will require an additional $1,917,000 to complete the project. The protracted construction delays will have increased costs by an estimated 7% over budget.

Work at the Killarney mine site will be completed in March, several months behind schedule. Original plans called for start-up in October of 1969, as well as before freeze-up delivery of crude ore to Midland and the ferro-silicon industry. Strikes affecting our contractor, the steel industry, and several of the equipment suppliers caused the delays on this phase of the project. Midland, however, was not originally scheduled to start-up until March, so the supply of product to other than the ferro-silicon industry will not be delayed more than two months.

The work at Killarney consisted of dismantling and moving the crushing plant from the mainland to Badgeley Island, and the erection on the island of storage, handling, load-out and docking facilities. Vessels of 30,000 tons capacity can be accommodated.

Construction at Midland was not hampered by strikes but the completion schedule was delayed by late delivery of some steel and equipment items. The administrative and supervisory staff has been assembled and operating personnel, in abundant supply, are being recruited as required.

This is the first commercial development of high-purity silica in Ontario. We believe that for the most part we can supplant silica sand imported from the United States and that we can develop substantial markets in the United States for our coarse grades.

SUMMARY OF EXPENDITURES

	1969	Forecast 1970
Land acquisition - - - - -	$ 235,390	$ 36,000
Plant and equipment - - -	4,598,285	2,775,673
Deferred development - -	122,840	290,000
Totals: - - - - - - -	$4,956,515	$3,101,673

FORECAST FOR 1970

The predicted growth in sales for each of the three currently operating divisions added to our expectation that the Ontario Silica Division will be delivering product in significant quantity by the 3rd quarter of 1970, should result in a marked improvement in earnings over 1969, provided the potential is not restricted by strikes or other factors beyond our control. The Federal Government seeks price restraints, and if these are not accompanied by moderation of wage demands, profits will be adversely affected. The Federal White Paper on Taxation recommends withdrawal of the depletion allowance and the three-year tax-free period. If passed into law this would generate a rate of taxation for the mining industry higher than that of any other industry. The inevitable result would be a reduction in exploration activity and serious difficulties in the raising of risk capital for mine development. On the brighter side, we can report that the proposals would not affect the three-year tax-free status of the Ontario Silica Division.

KLUKWAN IRON ORE CORPORATION

Klukwan's principal asset is a large low-grade iron deposit in Alaska. This property is under lease to the United States Steel Corporation until the year 2036. The annual minimum royalty is $45,000 until 1971, and $100,000 per year thereafter. The status of this holding is as reported last year; i.e., there is no information at hand to indicate that the lease will be terminated, or that the property will be put into production.

Klukwan, at December 31st, had working capital of $(U.S.) 236,351. The net earnings in 1969 amounted to $(U.S.) 35,463. A dividend was declared in December of 1969 of which your company's share was $(U.S.) 28,400.

The Indusmin holding in Klukwan consists of a 93.6% voting interest and a 70.3% interest in profits.

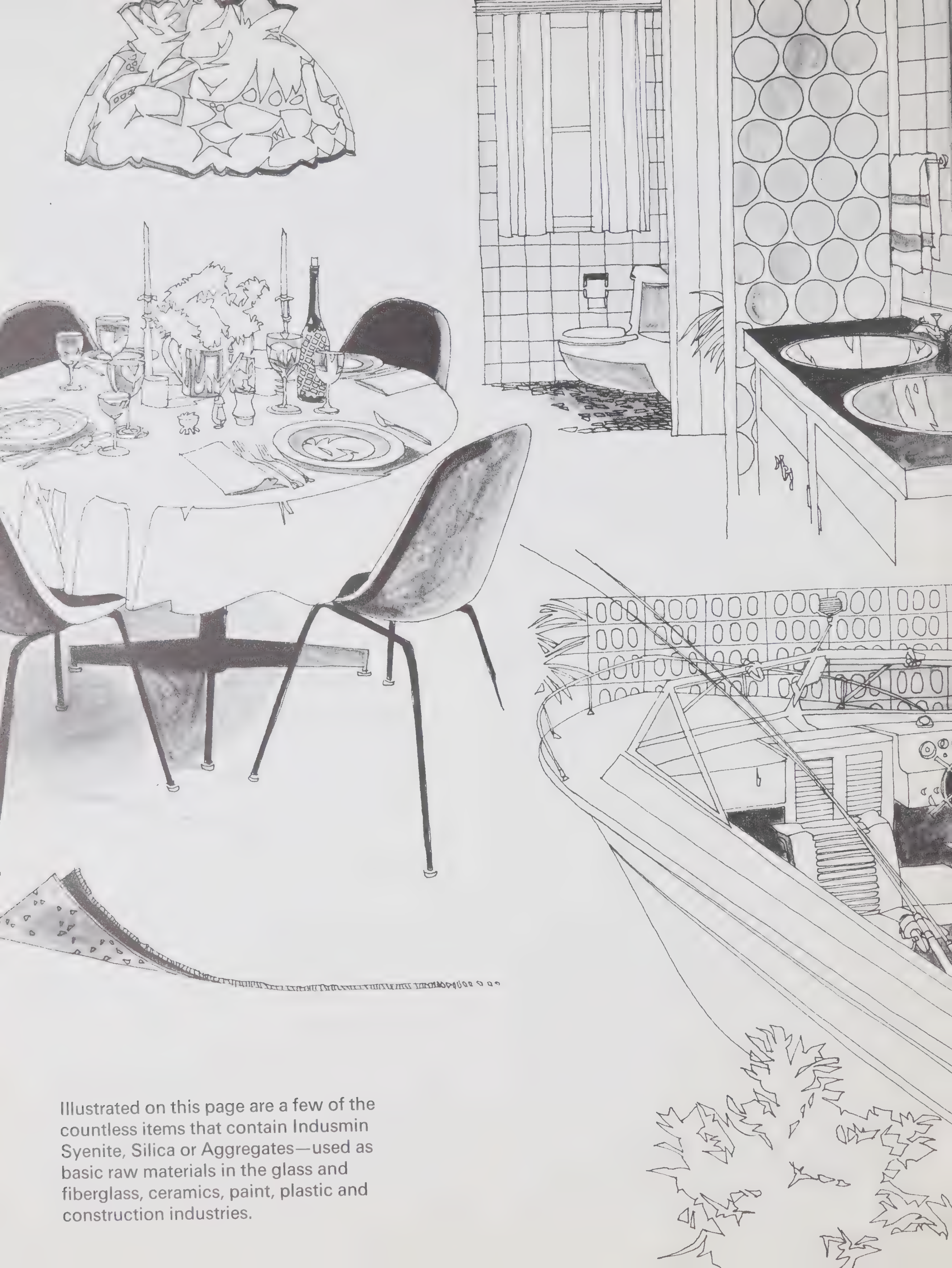
INDUSMIN SHAREHOLDERS

There were 3,929 shareholders at 31 December, 1969, compared with 4,442 a year earlier. Falconbridge Nickel Mines Limited holds 805,762 shares, approximately 69% of the 1,167,901 shares issued.

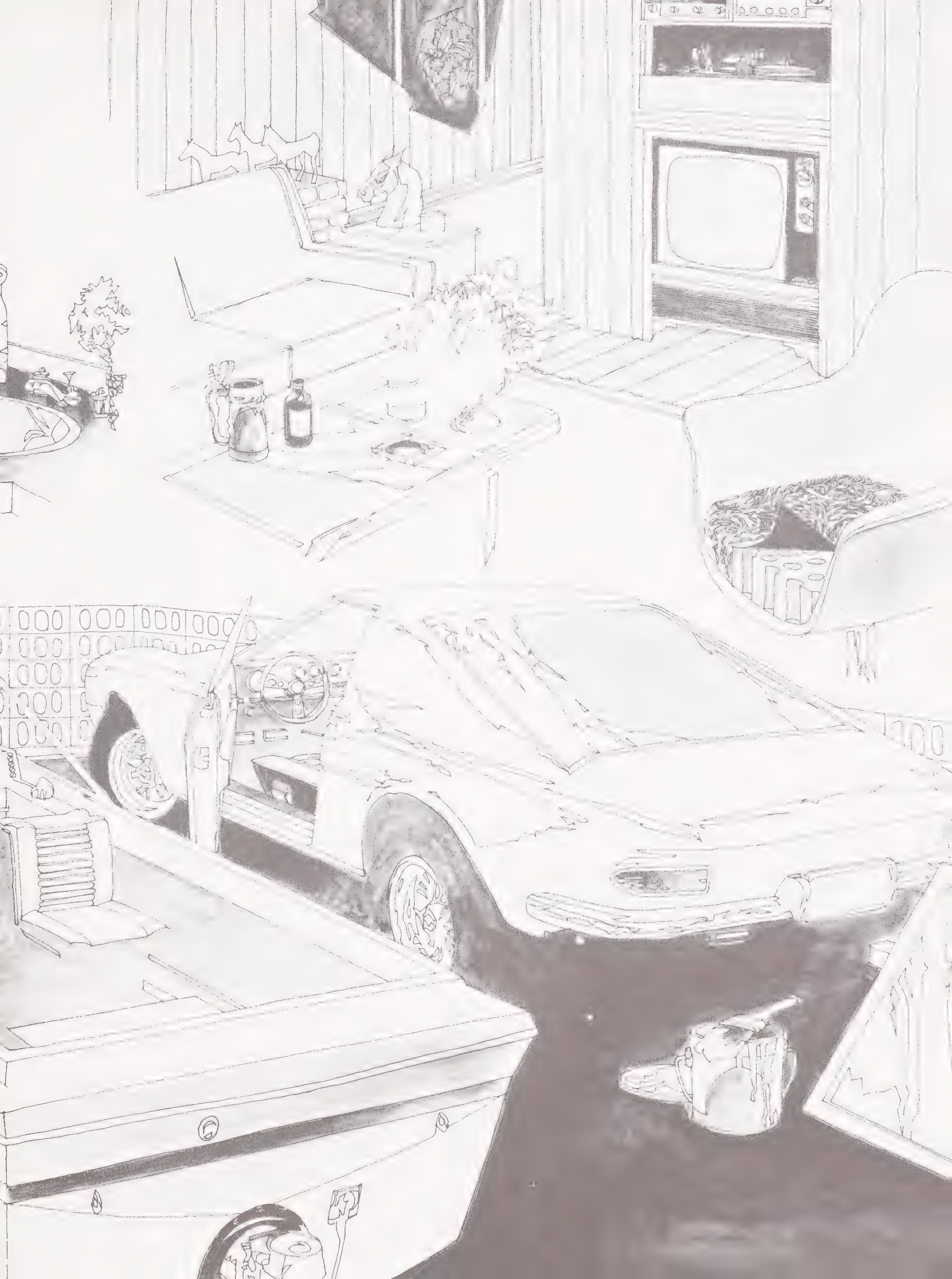
GENERAL

The continuing support of the employees, customers and shareholders enabled Indusmin in 1969 to reach a still higher record of performance. The directors gratefully acknowledge their collective and individual contributions.

On behalf of the Board,
J. J. Mather,
President and Managing Director
6 February, 1970

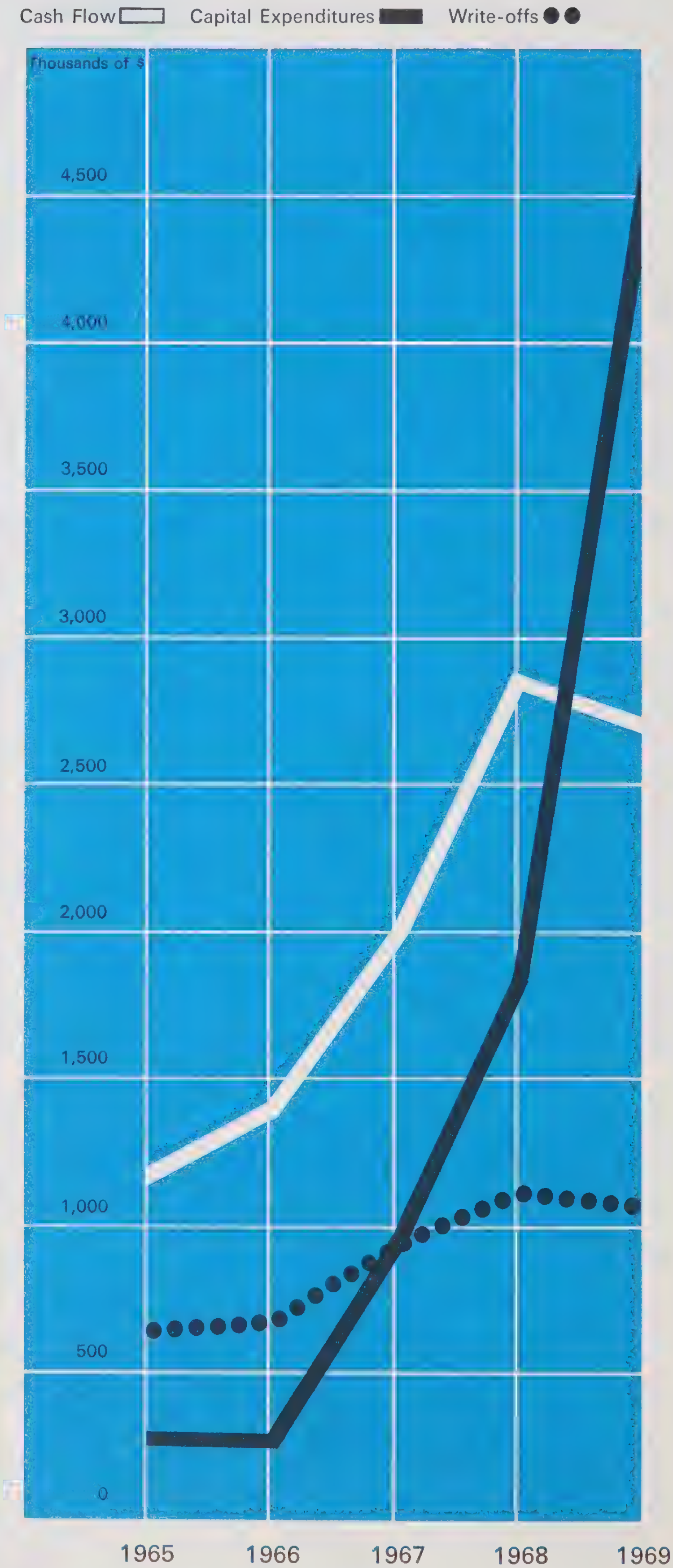


Illustrated on this page are a few of the countless items that contain Indusmin Syenite, Silica or Aggregates—used as basic raw materials in the glass and fiberglass, ceramics, paint, plastic and construction industries.



Shareholders' Equity
Working Capital

Cash Flow
Depreciation
Capital Expenditures



Consolidated Statement of Operations

for the year ended December 31, 1969 (with comparative figures for 1968)

	1969	1968
Sales of all products	$8,219,557	$7,379,255
Cost of products sold	4,490,546	4,200,604
Selling, general and administrative expenses	1,222,039	888,856
	5,712,585	5,089,460
Operating profit before providing for depletion, development expenditures and depreciation	2,506,972	2,289,795
Depletion of limestone deposits	12,335	30,578
Development expenditures written off	32,184	95,734
Depreciation of plant and equipment	1,019,911	973,621
	1,064,430	1,099,933
Operating profit	1,442,542	1,189,862
Income from investments	190,070*	172,099
	1,632,612	1,361,961
Provision for taxes on income		
currently payable	33,754	17,608
deferred (note 3)	567,000	526,300
	600,754	543,908
Net income before the undernoted special credit	1,031,858	818,053
Special credit (note 4)	567,000	526,300
Net earnings for the year	$1,598,858	$1,344,353

*Including in 1969 dividends of $86,289 received from associated companies ($58,656 in 1968)

indusmin limited

(incorporated under the laws of Canada)

ASSETS

	1969	1968
CURRENT		
Cash	$ 22,679	$ 48,850
Short term investments, at cost, approximately market value	1,564,344	727,925
Accounts receivable for product and freight	2,025,251	1,868,843
Inventories of crude ore and finished products—valued at the lower of cost or net realizable value	466,987	427,998
Prepaid expenses and other current assets	149,268	100,701
	4,228,529	3,174,317
INVESTMENT		
In shares of subsidiary, associated and other companies, at cost		
Subsidiary company (note 1)	321,053	321,053
Associated and other companies (approximate market value $2,877,669)	545,313	547,360
	866,366	868,413
FIXED		
Buildings, plant and equipment, at cost	20,095,527	15,514,476
less		
Accumulated depreciation	10,382,941	9,378,106
	9,712,586	6,136,370
Mining properties and land, less depletion	1,012,038	788,983
	10,724,624	6,925,353
OTHER		
Mine and mill supplies, at cost	505,744	299,681
Deferred development expenditures, less amounts written off	279,851	198,184
Other mining properties and expenditures thereon	687,338	592,609
Special refundable tax	41,647	59,357
Loan receivable, secured	13,432	18,890
	1,528,012	1,168,721
	$17,347,531	$12,136,804

Consolidated Balance Sheet

as at December 31, 1969 (with comparative figures for 1968)

LIABILITIES AND CAPITAL	1969	1968
CURRENT		
Bank advances	$ 4,057,504	$ 202,749
Note payable	200,000	200,000
Accounts payable and accrued charges	1,050,560	442,321
Estimated income and mining taxes payable	29,178	17,393
Principal payments on mortgage loans due within one year	26,149	7,066
	5,363,391	869,529
LONG TERM		
Mortgage loans, less amounts due within one year	174,042	11,069
Note payable	—	200,000
	174,042	211,069
SHAREHOLDERS' EQUITY		
Capital—(note 1)		
Authorized—2,000,000 shares with no par value		
Issued and fully paid—1,167,901 shares	10,854,014	10,854,014
Retained earnings	956,084	202,192
	11,810,098	11,056,206
	$17,347,531	$12,136,804

Approved on behalf of the Board:

J. J. MATHER, *Director*

G. T. N. WOODROOFFE, *Director*

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Indusmin Limited and its wholly-owned subsidiary company, American Nepheline Corporation, as at December 31, 1969 and the statements of consolidated operations, retained earnings and source and disposition of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969, the results of their operations and the source and disposition of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year (except that, in 1969, the company adopted the tax allocation basis in accounting for corporate income taxes referred to in note 3 to the consolidated financial statements —with which change we concur).

Peterborough, Canada
February 5, 1970

McCOLL, TURNER & CO.
Chartered Accountants

indusmin limited

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended December 31, 1969 (with comparative figures for 1968)

	1969	1968
Retained earnings as at January 1	$ 202,192	$ 651,967
add		
Net earnings for the year	1,598,858	1,344,353
Provision for taxes no longer required	3,104*	24,119
Gain on sale of investments	34,064	139,040*
Adjustment to eliminate transactions of Industrial Minerals of Canada Limited to October 31, 1968		302,005
	1,832,010	2,183,404
deduct		
Dividends paid	875,926	825,325
Adjustment with respect to revaluation of depreciable assets in 1968		1,155,887
	875,926	1,981,212
Retained earnings as at December 31	$ 956,084	$ 202,192

*denotes a negative figure

STATEMENT OF INVESTMENT in shares of subsidiary, associated and other companies

as at December 31, 1969

	Number of shares	Indicated market value (note A)	Cost
SUBSIDIARY COMPANY:			
Klukwan Iron Ore Corporation (note B)	2,840,000		$321,053
ASSOCIATED AND OTHER COMPANIES:			
Falconbridge Nickel Mines Limited	16,759	$2,788,279	433,196
Quebec Cobalt and Exploration Limited	43,200	43,200	4,968
Dominion Magnesium Limited	7,000	43,750	98,000
Other		2,440	9,149
		2,877,669	545,313
Total investment in shares of subsidiary, associated and other companies			$866,366

NOTES:

A. The market values shown above are based on closing market prices at December 31, 1969. The indicated market value of certain securities is not necessarily indicative of the amount that could be realized if the securities were to be sold due to the number of shares involved.

B. The company owns 95.6% of the Class A shares of Klukwan Iron Ore Corporation; this represents a 93.6% voting interest and a 70.3% interest in profits of Klukwan.

STATEMENT OF CONSOLIDATED SOURCE AND DISPOSITION OF FUNDS

for the year ended December 31, 1969 (with comparative figures for 1968)

	1969	1968
SOURCE OF FUNDS		
Net earnings for the year	$1,598,858	$1,344,353
Charges against operations for depletion, depreciation, deferred development and other expenditures which did not in themselves require a cash outlay during the year	1,075,578	1,088,730
	2,674,436	2,433,083
Funds provided in prior years for income taxes no longer required	3,104*	24,119
Proceeds from sale of investments in other companies	36,111	199,602
Refund of special refundable tax	17,710	7,657
Reduction of investment in sundry other assets	—	19,949
Proceeds of note due July 8, 1970	—	200,000
	2,725,153	2,884,410
DISPOSITION OF FUNDS		
Expenditures on land, plant, equipment and mine development	4,767,395	1,969,271
Expenditures on other mining properties	94,729	1,675
Dividends paid to shareholders	875,926	825,325
Provision for payments on mortgage loans	26,149	7,066
Provision for payment of note	200,000	—
Expenditures on sundry other assets	200,604	—
	6,164,803	2,803,337
Resulting in an increase in working capital of	3,439,650*	81,073
Working capital at beginning of year	2,304,788	2,223,715
Working capital at end of year	$1,134,862*	$2,304,788

*denotes a negative figure

Notes to Consolidated Financial Statements

1. Indusmin Limited and the wholly-owned subsidiary company, Nephsil Minerals Limited, were amalgamated as at the close of business on September 30, 1969 by authority of letters patent of amalgamation issued under the Canada Corporations Act. The consolidated financial statements for 1969 reflect the financial position and the results of the operations of Indusmin Limited (the amalgamated company), the predecessor companies and the wholly-owned subsidiary company, American Nepheline Corporation.

The comparative figures for 1968 reflect the situation which would have prevailed had the prior amalgamation of Indusmin Limited and QMI Minerals Limited on November 6, 1968 taken place, in fact, on January 1, 1968.

The financial statements of the partially-owned subsidiary company, Klukwan Iron Ore Corporation, have not been consolidated with those of Indusmin Limited. The investment in the shares of this company is carried at cost. In 1969 Klukwan Iron Ore Corporation declared a dividend —the company's portion of which was $(U.S.) 28,400— which dividend exceeded slightly the accumulated earnings to December 31, 1969. The dividend, less U.S. non-resident tax thereon, has been included in income from investments.

2. Assets and liabilities in currencies other than Canadian dollars have been translated into Canadian dollars at current quoted rates of exchange at December 31, 1969 except fixed assets and the related accumulated depreciation which have been translated at the rates prevailing when the expenditures on fixed assets were made. Revenues and expenses in currencies other than Canadian dollars have been translated into Canadian dollars at the average monthly quoted rates of exchange except that provisions for depreciation have been translated at the rates of exchange prevailing when the expenditures on the related fixed assets were made.

3. The company adopted the policy, effective January 1, 1969, of charging earnings with income taxes thereon including such taxes as are currently payable and, as well, those which are deferred by reason of claiming capital cost allowances and development expenditures in excess of the charges related thereto as recorded in the accounts. The comparative figures for 1968 have been restated to reflect the policy adopted for 1969.

4. As at January 1, 1969 the company—and the predecessor companies—had charged in net total, greater amounts of depreciation against earnings than had been claimed as capital cost allowances in determining taxable income. These were offset, in part, by development expenses claimed for tax purposes in the year of expenditure but not as yet completely charged against earnings. As a result, the company had available at that date, under the deferred tax allocation method of accounting for corporate income taxes, an accumulation of charges against earnings which had not been claimed for tax purposes and, thus, were potentially available for tax purposes in future years.

The tax equivalent of this accumulated amount at January 1, 1969—calculated at current tax rates—was $1,692,700. There has been applied against this amount $567,000 being the deferred income taxes for 1969 leaving $1,125,700 which should be available to offset taxes arising from similar timing differences in future years.

The comparable figure for 1968 has been inserted.

5. Remuneration paid to directors and senior officers of the company in 1969 amounted to $168,292 and, in 1968, $144,320.

The following pictures of company management personnel were taken at a recent planning conference called to review the ten-year profit plan.

PRODUCTION AND DISTRIBUTION FACILITIES

NEPHELINE SYENITE DIVISION

Plant No. 1—Nephton, Ontario
D. C. Cook—Resident Manager
G. H. Taylor—Assistant to Resident Manager

QUEBEC SILICA DIVISION

Plant No. 2—St. Canut, Quebec
Plant No. 3—St. Donat, Quebec
R. Lavertu—Resident Manager
P. Gauvreau—Production Superintendent

ONTARIO SILICA DIVISION

*Plant No. 5—Killarney, Ontario
*Plant No. 6—Midland, Ontario
A. R. Watt—Resident Manager
J. Zuefle—Superintendent Killarney Operations

AGGREGATES DIVISION

Plant No. 4—Acton, Ontario
Distribution Yard No. 1—Whitby, Ontario
Distribution Yard No. 2—Scarborough, Ontario
Distribution Yard No. 3—Pinecrest, Ontario
J. Sutherland—Division Manager
D. L. Murdy—Resident Manager
G. P. Reynolds—Production Superintendent

TECHNICAL CENTRE

1933 Leslie Street, Don Mills, Ontario
J. Kriens—Manager Product Development
K. F. Weitz—Organic Coatings Chemist

SALES OFFICES

7 King Street East, Toronto 210, Ontario
W. B. Midgette—Division Sales Manager—Nepheline Syenite
R. S. Grindley—Division Sales Manager—Silica

P.O. Box 303, Scarborough, Ontario
A. E. Jones—Sales Manager—Aggregates Division

Distributors in:

Germany, France, Holland, Belgium, United Kingdom, Italy, Australia, New Zealand, Spain, Greece and Israel

*To be completed in 1970

7.00

INDUSMIN LIMITED

7 King Street East, Toronto, Ontario

NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING

TAKE NOTICE that the Annual and a Special General Meeting of the Shareholders of Indusmin Limited will be held in the Toronto Room, King Edward Sheraton Hotel, 37 King Street, East, Toronto, on Thursday, the 10th day of April, 1969, at the hour of 11:00 o'clock in the forenoon, E.S.T. for the following purposes:

(1) Receiving and considering the report of the directors of the Company, and the balance sheet with related statements for the fiscal year ended December 31, 1968 and Auditors' Report thereon.

(2) Electing a Board of Directors to hold office for the ensuing year.

(3) Appointing auditors and authorizing the directors to fix the remuneration of the auditors.

(4) Considering and if thought fit approving and adopting the Amalgamation Agreement between the Company and its subsidiary Nephsil Minerals Limited made as of 6th March, 1969.

(5) Transacting such other business as may properly come before the meeting.

Enclosed is a copy of the 1968 Annual Report. A copy of the Amalgamation Agreement is printed herewith as a schedule to the accompanying Information Circular. All directors of the subsidiary are directors of the Company which is the beneficial owner of their qualifying shares in the subsidiary.

A shareholder who is unable to be present is entitled to be represented by proxy and you are requested to sign and return the form of proxy in the enclosed envelope.

DATED at Toronto this 6th day of March, 1969.

By Order of the Board,

D. D. ANDERSON,
Secretary.

INDUSMIN LIMITED

INFORMATION CIRCULAR

This circular is furnished in connection with the solicitation of proxies by the management of Indusmin Limited (hereinafter sometimes called "the Company") for use at the Annual and Special General Meeting of Shareholders of the Company to be held at Toronto on the 10th day of April 1969, for the purposes set forth in the accompanying notice of meeting. It is intended that the solicitation will be primarily by mail. The cost of solicitation will be borne by the Company.

APPOINTMENT, REVOCATION AND VOTING OF PROXIES

The execution of a proxy will not affect a shareholder's right to attend the meeting and vote in person. Any shareholder giving a proxy has the right to revoke it at any time insofar as it has not been exercised.

The persons named in the accompanying form of proxy are officers of the Company. A shareholder has the right to appoint any other person, who need not be a shareholder, to represent him at the meeting, and may do so by striking out the names of the persons designated and by inserting the name of his nominee in the blank space provided in the form of proxy accompanying this information circular.

The accompanying form of proxy, when properly signed, confers discretionary authority with respect to amendments or variations of matters identified in the accompanying notice of meeting and other matters which may properly come before the meeting, and in any such case will be voted on such matters in accordance with the best judgment of the person or persons voting the proxy. The management of the Company is not aware of any amendments, variations or other matters to come before the meeting, other than matters referred to in the foregoing notice of meeting.

VOTING SHARES AND PRINCIPAL HOLDER THEREOF

The holders of shares of the capital stock of the Company of record at the time of the meeting are entitled to vote on all matters which properly come before the Annual and Special General Meeting of Shareholders. There are 1,167,901 shares outstanding. Each share carries one vote. Falconbridge Nickel Mines Limited beneficially owns 805,688 shares, being about 69% of the issued shares of the Company. No other person is known to the management to own more than 10% of the issued shares.

AMALGAMATION WITH SUBSIDIARY, NEPHSIL MINERALS LIMITED

Nephsil Minerals Limited, a wholly-owned subsidiary of the Company, holds title to certain assets which are under lease to the Company and employed in its operations. Your directors consider that the segregation of assets in the hands of the subsidiary should not be continued and recommend amalgamation with the parent Company.

An amalgamation agreement bearing date the 6th day of March, 1969, has been approved by the directors and by Nephsil and is reproduced herewith. The adoption of the agreement requires approval by 3/4ths of the votes cast at the special general meeting and thereafter the issue of letters patent of amalgamation under the Canada Corporations Act.

The amalgamated Company Indusmin Limited-Indusmin Limitée will have vested in it all of the assets of both parent and subsidiary, subject to their liabilities. In net effect the amalgamation simplifies the corporate structure without altering shareholders' position either as to his holdings, his share certificates or his equity. The financial status of the amalgamated company will correspond to that shown in the accompanying financial statements already consolidated.

ELECTION OF DIRECTORS

The board of directors of the Company is comprised of seven directors, to be elected at the Annual Meeting, to hold office until the next Annual Meeting or until their successors are elected or appointed. It is intended to vote the proxies hereby solicited for the election of the underlisted persons, including directors whose term of office expires at the meeting. In the event of any vacancy occurring in such slate of nominees which is not

anticipated, it is intended that discretionary authority shall be granted to vote the proxy for the election of any other person or persons as directors. The management is not presently aware that any such nominee would be unable to serve as a director if elected. Information concerning the nominees, as furnished by each such nominee, is shown below; certain nominees have been directors of the Company or of predecessor corporations prior to corporate amalgamations, since the year respectively indicated opposite their names below:

NAME	PRINCIPAL OCCUPATION OR EMPLOYMENT	DIRECTOR SINCE	NUMBER OF SHARES BENEFICIALLY OWNED
F. R. ARCHIBALD	Vice-President Metallurgy and Research, Falconbridge Nickel Mines Limited.	1969*	None
PIERRE DESSAULLES	Counsel to the law firm of Byers, McDougall, Casgrain & Stewart.	1965	1,200
F. DONALD HART	Managing Director, American Gas Association Inc.	1957	230
E. L. HEALY	Executive Vice-President Operations, Falconbridge Nickel Mines Limited.	1968	None
J. J. MATHER	President of the Company.	1959	1,100
J. T. McWHIRTER	Treasurer, Falconbridge Nickel Mines Limited.	1965	None
G. T. N. WOODROOFFE	Vice-President Corporate Affairs, Falconbridge Nickel Mines Limited.	1965	None

*Mr F. R Archibald, for many years employed by Falconbridge Nickel Mines Limited on reseach and metallurgy, became a director on February 6, 1969, succeeding Mr. H. J. Fraser, deceased.

Note:

1. Falconbridge Nickel Mines Limited has shareholdings in the Company as noted above, but otherwise no associate of the above listed nominees is known to hold more than 10% of the voting rights attached to the shares of the Company.
2. The Company, as now existing, was constituted by Letters Patent of Amalgamation issued under The Canada Corporations Act on November 6th, 1968, which confirmed an agreement amalgamating Indusmin Limited, then the wholly-owned subsidiary of Industrial Minerals of Canada Limited, with Q.M.I. Minerals Limited, and continued them as one corporation under the name Indusmin Limited. Each of the aforesaid companies at the time of amalgamation was a subsidiary of Falconbridge Nickel Mines Limited; the amalgamation agreement, which named the above persons, other than Mr. Archibald as directors of the amalgamated company, was approved by the shareholders at general meetings called to consider the same, and the interests in the transaction of the directors and officers of the companies concerned were set forth in an information circular issued to shareholders in October 1968 with the notices calling the meetings. Copies of such circular were filed with the Ontario Securities Commission, Toronto Stock Exchange and Canadian Stock Exchange.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the financial year ended December 31, 1968, the remuneration directly paid to the directors of the Company and of its predecessors merged during the year and to senior officers aggregated $114,320; the Company also paid $28,030 in respect of pensions payable to directors and senior officers at normal retirement age. ("Senior Officers", defined by the Securities Act, Ontario to include the five highest paid employees).

APPOINTMENT OF AUDITORS

It is intended that proxies given pursuant to solicitation by management will be voted in favour of the re-appointment of Messrs. McColl, Turner & Co., Chartered Accountants, as auditors of the Company, to hold office until the next Annual Meeting of Shareholders.

DATED at Toronto, Ontario, this 6th day of March, 1969.

AMALGAMATION AGREEMENT

MEMORANDUM OF AGREEMENT made as of the 6th day of March, 1969

BETWEEN:

INDUSMIN LIMITED, a company incorporated under the laws of Canada, hereinafter called "Indusmin"

OF THE FIRST PART

—and—

NEPHSIL MINERALS LIMITED, a company incorporated under the laws of Canada, hereinafter called "Nephsil"

OF THE SECOND PART

WHEREAS Indusmin was organized under the Canada Corporations Act by letters patent of amalgamation dated the 6th day of November, 1968;

AND WHEREAS Nephsil Minerals Limited was incorporated under the Canada Corporations Act by letters patent dated the 30th day of October, 1968;

AND WHEREAS the authorized capital of Indusmin consists of 2,000,000 shares without par value, of which 1,167,901 shares have been issued and are outstanding as fully paid;

AND WHEREAS the authorized capital of Nephsil consists of 50,000 shares without nominal or par value, of which 1,000 shares have been issued and are outstanding as fully paid, all such shares being beneficially owned by Indusmin;

AND WHEREAS Indusmin and Nephsil, acting under the authority contained in the Canada Corporations Act, have agreed to amalgamate upon the terms and conditions hereinafter set out;

AND WHEREAS Indusmin and Nephsil have each made full disclosure to the other of all their respective assets and liabilities;

AND WHEREAS it is desirable that the said amalgamation should be effected;

NOW THEREFORE THE PARTIES HERETO have agreed as follows:

1. In this agreement the expression "Amalgamated Company" means the company continuing from the amalgamation of Indusmin and Nephsil, the parties hereto.

2. Indusmin and Nephsil do hereby agree to amalgamate under the provisions of Section 128A of the Canada Corporations Act and to continue as one company under the terms and conditions hereinafter set out.

3. The name of the Amalgamated Company shall be

INDUSMIN LIMITED-INDUSMIN LIMITÉE.

4. The objects of the Amalgamated Company shall be as follows:

(a) To carry on in all its branches the business of mining, milling, reduction and development;

(b) To acquire, own, lease, prospect for, open, explore, develop, work, improve, maintain and manage mines and mineral lands and deposits;

(c) To dig for, raise, crush, wash, smelt, assay, analyze, reduce, amalgamate, refine, convey and otherwise treat and deal in ores, metals and minerals, whether belonging to the Company or not, and to render the same merchantable and to sell or otherwise dispose of the same or any part thereof or interest therein;

And the following further provisions shall be authorized and apply to the Amalgamated Company:

(1) The Amalgamated Company shall be a public company under the provisions of the Canada Corporations Act.

(2) The Company may pay a commission to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any shares in the capital stock of the Company, or procuring or agreeing to procure subscriptions, whether absolute or conditional, for any such shares, provided, however, that such commission, if in the form of money, shall not exceed twenty-five per cent (25%) of the consideration for which such shares are issued and, if in the form of shares, shall not exceed twenty-five per cent (25%) of the number of shares subscribed for.

(3) The shareholders of the Company may from time to time by a three-fifths vote remove any director or directors before the expiration of his or their period of office and appoint any qualified person or persons in his or their stead for the balance of his or their term at a special general meeting of which notice specifying the intention to pass such resolution shall have been given.

(4) The directors of the Company may from time to time

(a) borrow money upon the credit of the Company;

(b) limit or increase the amount to be borrowed;

(c) issue debentures or other securities of the Company;

(d) pledge or sell such debentures or other securities for such sums and at such prices as may be deemed expedient; and

(e) secure any such debentures, or other securities, or any other present or future borrowing or liability of the Company, by mortgage, hypothec, charge or pledge of all or any currently owned or subsequently acquired real and personal, movable and immovable, property of the Company, and the undertaking and rights of the Company;

The Company may by by-law provide for the delegation of such powers by the directors to such officers or directors of the Company to such extent and in such manner as may be set out in such by-law;

Provided that nothing herein limits or restricts the borrowing of money by the Company on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Company.

5. The authorized capital of the Amalgamated Company shall be divided into two million (2,000,000) shares without par value; provided that the shares shall not be issued for a consideration exceeding in amount or value the sum of Twenty Million Dollars ($20,000,000) or such greater amount as the board of directors of the Amalgamated Company may deem expedient and as may be authorized by the Minister of Consumer and Corporate Affairs on payment of the requisite fees applicable to such greater amount.

6. On and from the date of the letters patent confirming this agreement:—

(a) The authorized and issued shares of the capital of Nephsil shall be cancelled; and

(b) The 1,167,901 shares without par value in the capital of Indusmin Limited which are issued and outstanding shall be converted share for share into 1,167,901 issued and fully paid shares without par value of the Amalgamated Company.

After the issue of letters patent confirming this agreement the shareholders of Nephsil shall surrender certificates representing shares of Nephsil for cancellation, and the shareholders of Indusmin, if and when requested to do so, shall surrender the certificates for cancellation and in return shall be entitled to receive certificates for shares in the Amalgamated Company. Any person entitled to a fraction of a share of Indusmin immediately prior to the date of letters patent confirming this agreement shall be entitled to a corresponding fraction of a share of the Amalgamated Company; PROVIDED that any person so entitled to a fraction of a share of the Amalgamated Company shall not be entitled to be registered on the books of the Amalgamated Company in respect thereof, or to receive a share certificate therefor, but shall be entitled to receive a bearer fractional certificate in respect of such fraction, and, on presentation at the office of the Amalgamated Company or at such place as may be designated by it, of bearer fractional certificates for fractions which together represent a whole share, be entitled to have issued in exchange therefor a share certificate for a whole share, and to be registered on the books of the Company as the holder of such share; PROVIDED FURTHER that such bearer fractional certificates shall be transferable by delivery, and may be issued on terms and conditions that fractions represented thereby not converted into whole shares by December 31st, 1969, may be sold, whereupon the proceeds will be held by the transfer agent or other depository designated by the Amalgamated Company, and paid out according to their respective entitlements to the holders of outstanding fractional certificates, against surrender of such certificates.

7. The head office of the Amalgamated Company shall be in the Municipality of Metropolitan Toronto, in the County of York, Province of Ontario.

8. The board of directors of the Amalgamated Company shall consist of seven members and the first directors of the Amalgamated Company shall be the following:

Name	Calling	Postal Address
F. R. Archibald	Metallurgist, Vice-President Metallurgy and Research, Falconbridge Nickel Mines Limited	225 St. Leonards Avenue, Toronto, Ontario
P. L. Dessaulles	Counsel, Byers, McDougall, Casgrain & Stewart	812 Upper Lansdowne Avenue, Westmount, Quebec
F. D. Hart	Executive, Administrative Director, American Gas Association Inc.	Farmington, Rte. 5, Franklin, Tennessee, U.S.A.
J. J. Mather	Mining Executive, President and Managing Director, Indusmin Limited	12 Briancliffe Drive, Don Mills, Ontario
E. L. Healy	Mining Executive, Executive Vice-President Operations, Falconbridge Nickel Mines Limited	15 Bayview Ridge Crescent, Willowdale, Ontario
J. T. McWhirter	Mining Executive, Treasurer, Falconbridge Nickel Mines Limited	109 The Kingsway, Toronto, Ontario
G. T. N. Woodrooffe	Mining Executive, Vice-President Corporate Affairs, Falconbridge Nickel Mines Limited	296 Lytton Boulevard, Toronto, Ontario

The said first directors shall hold office until the first annual meeting of the Amalgamated Company, or until their successors are elected or appointed; provided that, if prior to the issue of Letters Patent confirming this Agreement any of the persons named above shall die or become disqualified from acting as a director of the Amalgamated Company, a substitute may be nominated by the board of directors of Indusmin and such substitute shall be a first director of the Amalgamated Company as if he had been named above. The subsequent directors shall be elected or appointed in accordance with the provisions of the Canada Corporations Act and the by-laws of the Amalgamated Company. The management and working of the Amalgamated Company shall be under the control of the board of directors, subject to the provisions of the Canada Corporations Act.

9. Indusmin shall contribute to the Amalgamated Company all its assets, subject to all its liabilities, as the same exist on the date of issue of letters patent confirming this Amalgamation.

10. Nephsil shall contribute to the Amalgamated Company all its assets, subject to all its liabilities, as the same exist on the date of issue of letters patent confirming this Agreement.

11. The Amalgamated Company shall possess, without further action by way of conveyance or otherwise, all the property, rights, assets, privileges and franchises, and shall be subject to all the contracts, liabilities, debts and obligations of Indusmin and of Nephsil.

12. All rights of creditors against the property, rights, assets, privileges and franchises of Indusmin and Nephsil and all liens upon their respective property, rights and assets shall be unimpaired by such amalgamation and all debts, contracts, liabilities and duties of Indusmin and of Nephsil shall thenceforth attach to the Amalgamated Company and may be enforced against it.

13. No action or proceeding by or against Indusmin or Nephsil shall abate or be affected by such amalgamation but, for all purposes of such action or proceeding, the name of the Amalgamated Company shall be substituted in such action or proceeding in place of Indusmin or Nephsil.

14. The by-laws of Indusmin now in force, namely:

By-law No. 1—a by-law to provide for the management of the affairs of Indusmin; and

By-law No. 2—a by-law respecting borrowing of moneys; and

By-law No. 3—a by-law respecting borrowing of moneys;

shall, to the extent not inconsistent with this Agreement, be the by-laws of the Amalgamated Company, until repealed, amended, altered or added to.

15. Upon the shareholders of Indusmin and Nephsil respectively duly adopting this Agreement, such fact shall be certified upon the Agreement by the Secretary of each of the parties hereto under their respective corporate seals, and the parties hereto by their joint application shall within six months from the final vote of the shareholders, apply to the Minister of Consumer and Corporate Affairs for letters patent confirming this Agreement unless an order is made under subsection 7 of Section 128A of the Canada Corporations Act annulling this Agreement.

16. Indusmin and Nephsil may, by resolution of their respective directors, assent to any alteration or modification of this Agreement which the shareholders of the respective companies at meetings called to consider the same, or the Minister of Consumer and Corporate Affairs, may approve, and the expression "Agreement" as used herein shall be read and construed to mean and include this Agreement as so altered or modified.

17. This Agreement may be terminated without cause or reason by the board of directors of either Indusmin or Nephsil, notwithstanding the approval of this Agreement by the shareholders of Indusmin and Nephsil at any time prior to the issue of letters patent confirming this Agreement.

In Witness Whereof this Agreement has been duly executed by the parties hereto under their respective Corporate Seals as witnessed by the signatures of their proper officers in that behalf.

INDUSMIN LIMITED

Per J. J. Mather
PRESIDENT

Per D. D. Anderson
SECRETARY

C.S.

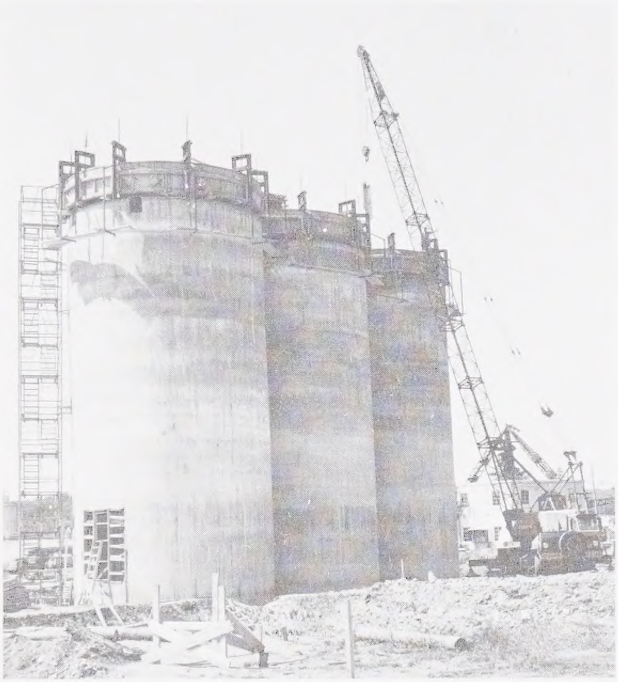
NEPHSIL MINERALS LIMITED

Per J. J. Mather
PRESIDENT

Per G. T. N. Woodrooffe
DIRECTOR

C.S.

Printed in Canada



Ontario Silica Project

Construction of plant at both the mine site and Midland is under way. Progress at the mine site has been slowed by strikes affecting the contractor's work force. The revised target date for completion is mid-November; this assumes, however, early settlement of the strike. The work at Midland is progressing satisfactorily and the original target date for completion by 1st March, 1970, still stands.

silica processing plant at Midland

companys mining property on Badgeley Island, near Killarney

indusmin limited

a dependable source of mineral products for industry

7 King Street East, Toronto, Canada. Telephone 362-7292

Printed in Canada

AR28

indusmin limited

Interim Report for six months ended June 30, 1969

quarterly highlights

Sales

	1969	1968	Change
1st Quarter	$1,684,660	$1,365,433	+23%
2nd Quarter	$2,128,427	$1,967,998	+ 8%
Totals	$3,813,087	$3,333,431	+14%

The growth in sales, though favourable, was less than anticipated. Strikes and lock-outs in the construction industry in Toronto, still in effect, rendered inactive many major projects, significantly reducing aggregate division sales. A one-week strike at St. Canut disrupted silica division sales in April.

Labour

Collective Bargaining Agreements are now in force at all of the company's production operations, none terminating before late 1971.

Expropriation

The site of the St. Canut operations is within the area expropriated by the Federal Government for the new Montreal airport. It is entirely feasible for the company to relocate the process plant at its Ste. Scholastique deposit which is adjacent to, but outside, the area expropriated. The final disposition of this matter will depend on the outcome of current negotiations with Ottawa.

indusmin limited

Interim Statement

*For six months ended June 30, 1969 (with comparative figures for 1968)**

	1969			1968
Operations	**1st Quarter**	**2nd Quarter**	**Six Months**	**Six Months**
Sales	$1,684,660	$2,128,427	$3,813,087	$3,333,431
Profits before taxes and write-offs	386,600	753,380	1,139,980	1,065,178
Depreciation, depletion and development written-off	254,073	265,286	519,359	528,394
Estimated taxes based on income—current	5,333	6,657	11,990	11,300
—deferred	45,788	190,087	235,875	210,677
Net profit for the period	$ 81,406	$ 291,350	$ 372,756	$ 314,807
Source and Disposition of Funds				
SOURCE OF FUNDS:				
Net profit for the period	$ 81,406	$ 291,350	$ 372,756	$ 314,807
Charges against operations which did not require a cash outlay				
—depreciation, development	254,073	265,286	519,359	528,394
—deferred taxes	45,788	190,087	235,875	210,677
Sales of securities	—	34,064	34,064	198,627
Increase in long term liabilities	41,800	151,557	193,357	—
	423,067	932,344	1,355,411	1,252,505
DISPOSITION OF FUNDS:				
Dividends	—	291,975	291,975	241,374
Expenditures for plant and equipment and mine development	242,396	842,601	1,084,997	379,264
Increase in non-current assets	2,219	85,385	87,604	22,977
	244,615	1,219,961	1,464,576	643,615
Resulting in an increase (decrease) in working capital of	178,452	(287,617)	(109,165)	608,890
Working capital at beginning of period	2,304,788	2,483,240	2,304,788	2,223,716
Working capital at end of period	$2,483,240	$2,195,623	$2,195,623	$2,832,606

*For purposes of comparison the 1968 figures have been restated to reflect the amalgamation with Q.M.I. Minerals Limited and to show the amount of deferred tax resulting from the adoption of the tax allocation method for accounting for income taxes.